

UNITED STATES OF AMERICA
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

Competitive Product Prices
International Business Reply Service Competitive
Contract 3 (MC2011-21)
Negotiated Service Agreement

Docket No. CP2014-44

PUBLIC REPRESENTATIVE COMMENTS ON POSTAL SERVICE
NOTICE CONCERNING ADDITIONAL
INTERNATIONAL BUSINESS REPLY SERVICE

COMPETITIVE CONTRACT 3 (IBRS 3)
NEGOTIATED SERVICE AGREEMENT
(April 22, 2014)

I. Introduction

On April 14, 2014, the Postal Service filed notice that it has entered into an additional International Business Reply Service Competitive Contract 3 (IBRS 3) negotiated service agreement (Agreement).¹ The Public Representative hereby provides comments pursuant to Order No. 2503, which assigned the Public Representative the task of representing the interests of the general public in this proceeding.

On February 28, 2011, the Commission approved IBRS as a competitive product, determined that IBRS Contract 3 would be the new baseline contract, and required the Postal Service to identify significant differences between newly proposed IBRS Competitive Contract 3 agreements and the baseline agreement to help determine whether or not a newly proposed contract is functionally equivalent to a baseline

¹ Notice of the United States Postal Service Filing of a Functionally Equivalent International Business Reply Service Competitive Contract 3 Negotiated Service Agreement, April 14, 2014 (Notice).

contract.² The Commission has used several criteria to determine whether a contract is functionally equivalent to a baseline contract:

- the costs of this each contract conform to a common description,
- the contract at issue meets the Governors' criteria and thus exhibits cost and market characteristics similar to previous contracts.
- the language proposed for the MCS requires that each contract must cover its attributable costs, and
- all differences from the baseline contract, however minor, must be listed.

COMMENTS

Functional Equivalence

The Public Representative has reviewed the terms of the baseline and proposed contracts. It concludes that the terms of the proposed contract and the IBRS 3 baseline agreement are functionally equivalent. These contracts share a similar description, and have cost functionally equivalent market characteristics. Both are designed to serve businesses that sell lightweight articles to foreign customers who desire to offer their customers the option of returning items for repair, recycling or refurbishment, among other reasons. Unit costs are similar, as is expected cost coverage.³

Although some terms differ: for example, the contract term is two years rather than one; the cost and exchange rate contingencies are higher than the benchmark case; and the contract adds language concerning Intellectual Property, Co-Branding, and Licensing; they do not change the basic features of the agreement.

² Order No. 684 at 5-6.

³ The volumes listed in the financial workpapers appear very low, approximately one-tenth the volume of the benchmark contract. The lower volume doesn't affect cost coverage, but it could affect the ability of the contract partner to meet the minimum volume commitment. The PR assumes the volume input in the financial workpapers, worksheet 01_Inputs, cell C30, excluded a "0" placeholder in error.

Cost Coverage

The Public Representative has reviewed the supporting financial model filed under seal which accompanies the Postal Service's Notice. Based upon its review, the Public Representative concludes that this Agreement is very likely to satisfy the requirements of 39 U.S.C. § 3633.

The Public Representative respectfully submits the foregoing comments for the Commission's consideration.

_____/s

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